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SUBJECT: BRUNEI ECONOMIC DEVELOPMENT BOARD UPDATES DIPLOMATS ON  
ECONOMIC DIVERSIFICATION PROGRESS

#### SUMMARY

1.(SBU) Ambassador Todd recently attended a briefing for members of the Diplomatic Corps held by the Brunei Economic Development Board (BEDB). The briefing was to update Heads of Missions on the continued progress made with BEDB's projects, and provide new Heads of Missions with information on Brunei's economy and the initiatives that the BEDB is undertaking towards economic development. The overall presentation, while impressive on paper, still lacks the long term roadmap for real economic development so critical to Brunei's advancement beyond the oil and gas industries. End Summary.

#### ECONOMIC DIVERSIFICATION PROGRESS

2.(SBU) In his presentation "Opportunities in Brunei Darussalam", BEDB's CEO, Vincent Cheong, updated the diplomatic corps on the current status of BEDB's key initiatives:

\* Sungai Liang (SPARK) petrochemical hub

Methanol Export Facility for Brunei Methanol Company is currently under construction, with plant operations expected to commence in 2010

\* Pulau Muara Besar (PMB) deepwater port, logistics and manufacturing hub project

Master plan for the development of PMB deepwater port is expected to be submitted by Surbana-GMAPS (Singapore) for approval in the year. A tender for dredging, reclamation, bridge and infrastructure works will be called for in 2010, with port operations expected to begin in 2012. PetroBru Sdn Bhd (Brunei company with Malaysian TRC Synergy Bhd holding 26% stake) has completed a feasibility study on building a refinery on PMB, with a proposed start-up in 2014 at a cost of US\$4.3 billion.

\* iCenter ICT knowledge based enterprises

Phase 2 of Anggerek Desa Tech Park knowledge hub is ongoing. Construction of the knowledge hub is forecast to be completed by 2010.

\* property and infrastructure projects

With the implementation of the Strata Act Chapter 189 which allows foreign investment in high rise buildings, BEDB is offering new opportunities for investor takeover and refurbishment for leasing or renting of 9 blocks (242 units) of the Ong Sum Ping Apartments (formerly 1999 SEA Games/2000 APEC Village).

The construction of 2000 houses for the National Housing Scheme is ongoing and expected to be completed in 2011 as scheduled. Tenders for an additional 4000-houses project is currently under evaluation with an award to be announced before the end of the year.

Tenders for building an 18.6km dual carriageway in the main throughfare between the capital city of Bandar Seri Begawan and the oil town of Seria is under evaluation.

BEDB's waste management projects include ongoing rehabilitation of the existing Sg. Akar dumpsite, building a transfer station (tenders are being evaluated), and a new modern engineered landfill to be built in Sg. Paku. The new landfill project is being tendered with an award to be announced in the year. A PPP for energy efficient waste management system is a potential future development for BEDB.

## Q&A WITH DIPLOMATIC CORPS

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3. (SBU) The highlight of the briefing was a discussion in which a number of key issues and suggestions were raised by the diplomats. Ambassador Todd specifically asked for updates on the development of clear and transparent guidelines for investors on existing procedures to improve "the ease of doing business in Brunei"; and, the development of consistent procurement rules across government agencies and ministries. Other issues discussed included the BEDB's strategy for improving the ease of doing business in Brunei, as well as the importance of incentives in shaping the nation's future direction.

## COMMENTS

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¶4. (SBU) While the list of projects and timelines above appear to be extensive and impressive, Ambassador Todd found the overall lack of any master strategic plan highly concerning. It appears BEDB is focused on a series of one-off projects and when questioned, Vincent Cheong admitted there is not any roadmap in place for real economic development. Despite efforts to streamline procurement and contracting systems within BEDB, they meet a steady stream of resistance and roadblocks from other ministries who perceive BEDB as encroaching on their portfolios without the respective expertise needed to provide any more value than themselves. The ability to do business in Brunei as either a westerner or American business entity is still an uphill battle at best and no sign of improvement on the horizon.

TODD